



Memorandum

Mr. James W. Spaulding
Senior Evaluator
Health, Education, and Human Services Division
U.S. General Accounting Office
441 G Street, N.W.
Room 5928
Washington, D.C. 20548

July 18, 2000

Dear Jim:

The July meeting of the Market Mechanism Study Group is quickly coming upon us. As you know, several study group members have suggested that the FFEL Program should be included in the study because it is a market-based program. A look at the current environment - technology and delivery system competition, price discounting, industry consolidation - indicates competition is fierce. The current alternatives under consider do not include evaluation of the current program. I have discussed this issue with several of my colleagues from the FFEL community, and we believe a review of the present program would benefit the report.

In any case, I believe the advantages of any alternative proposal should be compared with the actual attributes of the current program. To assist in this comparison, several of us have prepared the attached checklist, which sets forth the positive attributes of the FFELP. Representatives from the Consumer Bankers Association, Education Finance Council, National Council of Higher Education Loan Programs and Sallie Mae participated in preparing the checklist.

I request that you transmit the checklist to study group members and post it on the Website. Also, we would appreciate if some time could be set aside at the July meeting to discuss this. I would be happy to lead the discussion.

Please call me if you have any questions.

Sincerely,

Bill

Bill Beckmann
President & CEO
The Student Loan Corporation

BENCHMARKING MARKET MECHANISMS PROPOSALS – A CHECKLIST OF KEY ATTRIBUTES OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM

- Universal access to low-cost education loans is assured, regardless of the borrower's credit history, the school attended, or locality.
- Schools can work with preferred lenders of their choice.
- Borrowers can choose their lender.
- Competition among a large number of lenders improves service quality for students, borrowers and schools, stimulates technical advances and has led to a variety of borrower benefit programs that have reduced the cost of borrowing.
- A proven record of high customer satisfaction that reflects a high level of service quality from loan origination right through repayment.
- FFELP participants provide more than just loan funds, but also provide information, counseling and other assistance to prospective and current students and their parents, and campus staff.
- A ten-year history of reduced default rates; all participants have incentives to work closely with borrowers and schools to reduce defaults.
- The costs of the program to the federal government have declined over this same period.
- The incidence of fraud and abuse is at an all time low.
- A stable program has encouraged investment in cutting edge technology that has resulted in dramatic service breakthroughs. The program is continuously modernizing.
- Technological advances have allowed FFELP providers to simplify the program, reduce paperwork and improve customer service.
- The FFELP fits within the American tradition that fosters market competition, free enterprise and capital market financing.
- The FFELP has “worked” for students and schools by being a reliable source of education financing for 35 years.